

Fiscal Services Division

Legislative Services Agency

Fiscal Note

HF 2794 Tax Technical, Policy & Exemptions (LSB 6655 HV.1)

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Fiscal Note Version – As amended and passed by the House

Description

House File 2794 as amended and passed by the House, relates to several tax subjects:

- Tax administration.
- Tax policy.
- Streamlined sales tax.
- Local option sales tax – Specifies how voting is to be conducted in instances where two adjacent counties vote on a regular local option sales tax proposal and parts of a city are located in both counties.
- Tax exemptions and credits:
 - Removes the cap on total tax credits allowed under the Early Childhood Development Tax Credit. Currently law caps the available annual credits at \$2.5 million.
 - Exempts from State and local sales tax, sales made to home and community-based service providers certified to offer Medicaid waiver services by the Iowa Department of Human Services.
 - Exempts from State and local sales tax, the furnishing of services by a full-time student where the total gross sales receipts do not exceed \$5,000 in a year.
 - Exempts from State and local sales tax, fuel consumed in the process of generating electric current.
 - Expands a current sales tax exemption related to repair services performed on river vessels meeting specified conditions.
 - Exempts from State and local sales tax, sales of coins, currency, and bullion.
 - Allows owners of property within a community land trust to qualify for the Homestead Property Tax Credit as long as the owner is liable for the tax on the property.
 - Expands the property tax exemption allowed for cities and counties to include property located at an airport and leased to an operator of an aeronautical business.
 - Exempts from property tax, washing, waxing, drying, vacuuming, and other equipment located at a car wash.
 - Increases the total amount of refunds that may be paid in association with the sales tax exemption on certain agricultural drainage equipment (enacted 2005) from the current limit of \$25,000 to \$50,000.
 - Specifies that the exemption from the vehicle use tax for vehicles transferred from one business entity to a corporation applies only to corporations in existence for no longer than 24 months.
 - Specifies how vehicle use taxes shall be calculated in certain instances where a dealer removes a vehicle from inventory and replaces it with another.

Fiscal Impact

The following table provides estimates for six portions of the Bill. All six impact the State General Fund and four also impact local option sales tax revenue. The first item listed relates to increased expenditures, while the remaining items relate to reduced revenue. All items first impact FY 2007.

General Fund Fiscal Impact Item	Bill Section	General Fund Impact	Local Option Tax Impact
Child Development Tax Credit	Section 24	\$ 740,000	\$ 0
Medicaid Waiver Exemption	Section 40	590,000	145,000
Student Service Exemption	Section 41	60,000	15,000
Missouri River Vessel Exemption	Section 43	25,000	5,000
Currency & Bullion Exemption	Section 44	65,000	16,000
Agricultural Drainage Refund	Section 66	25,000	0
Total		<u>\$ 1,505,000</u>	<u>\$ 181,000</u>

The following items were not estimated due to insufficient available information:

- Section 5, relating to annexation. Any revenue change would impact local government property tax.
- Section 42, relating to fuel consumed in the generation of electricity. Any revenue change would impact the General Fund.
- Section 45, relating to the transfer of motor vehicles within the first 24 months of a business's existence. Any revenue change would impact the Road Use Tax Fund.
- Section 46, relating to licensed motor vehicle dealer inventories. Any revenue change would impact the Road Use Tax Fund.
- Section 56, relating to qualifications for the Homestead Property Tax Credit within a community land trust. Any revenue change would impact local government property tax.
- Section 57, relating to a property tax exemption for private aeronautical businesses located at a public airport. Any revenue change would impact local government property tax and the State General Fund through the School Aid formula.
- Section 59, relating to the property tax status of equipment located at a car wash. Any revenue change would impact local government property tax and the State General Fund through the School Aid formula.

Sources

Department of Revenue
Iowa Coin Dealers

/s/ Holly M. Lyons

May 2, 2006

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
